

FISCAL NOTE

Bill #: HB0413

Title: Revise fees on motor homes and provide tax credit

Primary Sponsor: Brown, D

Status: As Introduced

Sponsor signature

Date

David Ewer, Budget Director

Date

Fiscal Summary

	<u>FY 2006 Difference</u>	<u>FY 2007 Difference</u>
Expenditures:		
General Fund	\$8,265	\$0
Revenue:		
General Fund	\$6,829,852	\$6,954,032
Net Impact on General Fund Balance:	\$6,821,587	\$6,954,032

- | | |
|---|---|
| <input type="checkbox"/> Significant Local Gov. Impact | <input checked="" type="checkbox"/> Technical Concerns |
| <input type="checkbox"/> Included in the Executive Budget | <input checked="" type="checkbox"/> Significant Long-Term Impacts |
| <input type="checkbox"/> Dedicated Revenue Form Attached | <input checked="" type="checkbox"/> Needs to be included in HB 2 |

Fiscal Analysis

ASSUMPTIONS:

1. This bill increases the fees collected on motor homes and provides an offsetting refundable income tax credit equal to 66.7 % of the new motor home fees paid by taxpayers filing Montana income tax returns. The bill also creates a new fee on motor homes based on the length of the motor home that is not offset with an income tax credit. This new fee is \$500 for motor homes 35ft to 40ft in length, and \$1,000 for motor homes over 40ft in length. All additional fees would be deposited in the general fund.
2. In CY 2004 there were 21,785 registration transactions for motor homes and the distribution by age was:

Age of Motor Home	Distribution Percentage of Total
Less than two years old	10%
Two years old but less than three years	7%
Three years old but less than four years	6%
Four years old but less than five years	5%
Five years old but less than six years	5%
Six years old but less than seven years	4%
Seven years old but less than eight	3%
Eight years old and older	60%
Total Distribution	100%

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3. Motor home registrations are projected to grow 6% per year to 24,478 in CY 2006 and 25,946 in CY 2007. (HJR2).
4. If the age distribution of motor homes stays the same as in CY 2004, additional registration fees will be \$5,473,281 in CY 2006, as shown in the following table

Estimated Change in Motor Home Fee Collections, CY 2006				
Age of Motor Home	Registrations	Percent	Proposed Fee Increase	Increase In Revenue
Less Than 2 Years	2,448	10%	\$500	\$1,223,900
2 Years	1,713	7%	\$460	\$788,192
3 Years	1,469	6%	\$390	\$572,785
4 Years	1,224	5%	\$300	\$367,170
5 Years	1,224	5%	\$250	\$305,975
6 Years	979	4%	\$200	\$195,824
7 Years	734	3%	\$150	\$110,151
8 Years and Older	14,687	60%	\$130	\$1,909,284
Total	24,478	100%		\$5,473,281

5. It is estimated that 15% of motor homes are between 35 and 40 feet in length and 10% are more than 40 feet in length. Length-based fees would be \$4,283,650 in CY 2006 ($24,478 \times 15\% \times \$500 + 24,448 \times 10\% \times \$1,000$).
6. The total increase in motor home fees in CY 2006 would be \$9,756,931 ($\$5,473,281 + \$4,283,650$). With 6% growth in registrations, the additional motor home fees would be \$10,342,347 in CY 2007 ($\$9,756,931 \times 106\%$).
7. The percentage of motor homes in each age bracket owned by LLC's was determined by counting the number of owners that contained LLC in their names in the CY 2003 motor vehicle database. It was assumed the LLC owners have no Montana-source income so that only non-LLC owners would claim the income tax credit.
8. The table below shows the percentages of motor homes in each age bracket owned by LLC and non-LLC owners, the number eligible for the income tax credit, the amount of the credit that could be claimed for a motor homes in each age bracket, and the total credits.

Motor Home Fee Tax Credits, TY 2006						
Age of Motor Home	Registrations	% LLC-Owned	% Non-LLC	Eligible for Credit	Income Tax Credit	Total Credits
Less Than 2 Years	2,448	62.0%	38.0%	930	\$500	\$465,000
2 Years	1,713	56.0%	44.0%	754	\$460	\$346,840
3 Years	1,469	46.0%	54.0%	793	\$390	\$309,270
4 Years	1,224	25.0%	75.0%	918	\$300	\$275,400
5 Years	1,224	26.0%	74.0%	906	\$250	\$226,500
6 Years	979	18.0%	82.0%	803	\$200	\$160,600
7 Years	734	16.0%	84.0%	617	\$150	\$92,550
8 Years and Older	14,687	30.0%	70.0%	10,281	\$130	\$1,336,530
Total	24,448	34.6%	65.4%	16,002		\$3,212,690

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9. Because the bill has a January 1, 2006 effective date, it will have a partial impact in FY 2006 and a full year impact in FY 2007. Motor vehicle fees are collected on a calendar year basis. An analysis of registrations determined that 70% of motor home fees are paid in January through June and 30% are paid in July through December.
10. In FY 2006, 70% of the additional motor home fees for CY 2006 would be collected and deposited in the general fund. This would increase revenue by \$6,829,852 (70% x \$9,756,931).
11. In FY 2007, 30% of the additional motor home fees for CY 2006 would be collected and 70% of the additional fees for CY 2007 would be collected. In addition, income tax collections would be reduced by the credits claimed by non-LLC motor home owners for the fees they paid in CY 2006. The net revenue impact would be \$6,954,032 (30% x \$9,756,931 + 70% x \$10,342,347 - \$3,212,690).
12. The Department of Justice would incur operating costs of \$8,265 in FY 2006 for computer programming analysis, design, testing and implementation of the new fee codes and enhanced reports required by the fee changes in this bill.

FISCAL IMPACT:

	<u>FY 2006 Difference</u>	<u>FY 2007 Difference</u>
<u>Expenditures:</u>		
Operating Expenses	\$8,265	\$0
<u>Funding of Expenditures:</u>		
General Fund (01)	\$8,265	\$0
<u>Revenues:</u>		
General Fund (01)	\$6,829,852	\$6,954,032
<u>Net Impact to Fund Balance (Revenue minus Funding of Expenditures):</u>		
General Fund (01)	\$6,821,587	\$6,954,032

EFFECT ON COUNTY OR OTHER LOCAL REVENUES OR EXPENDITURES:

None.

LONG-RANGE IMPACTS:

Net revenue from this bill would continue to grow over time with the growth of motor home registrations.

TECHNICAL NOTES:

1. It should be noted that changes made to the Department of Justice's mainframe legacy system as a result of legislative changes, might also need to be made to the (new) system that may result in additional costs.